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## Investor News

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First quarter of 2018

### **Bayer: Operational business held back by currency effects Major progress with Monsanto acquisition**

- Group sales increase by 2.0 percent (Fx & portfolio adj.) to 9.138 billion euros
  - EBITDA before special items down year on year at 2.896 billion euros due to currency effects – level with prior-year quarter on a currency-adjusted basis
  - Sales increase at Pharmaceuticals (Fx & portfolio adj.)
  - Consumer Health down year on year, as expected
  - Sales of Crop Science match strong prior-year quarter (Fx & portfolio adj.)
  - Animal Health raises sales (Fx & portfolio adj.) and earnings
  - Net income declines by 6.2 percent to 1.954 billion euros
  - Core earnings per share down 1.3 percent at 2.28 euros
  - European Commission and additional regulators conditionally approve Monsanto acquisition
  - Currency adjusted Group outlook for 2018 confirmed
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**Leverkusen, Germany, May 3, 2018** – Bayer's operational business was hit by currency effects in the first quarter of 2018. Adjusted for currency and portfolio effects (Fx & portfolio adj.), the company generated an increase in sales in the first three months of the year. "We posted growth at Pharmaceuticals and in the Animal Health business," said Werner Baumann, Chairman of the Board of Management, when he presented the interim report on Thursday. EBITDA before special items matched the level of the prior-year quarter on a currency-adjusted basis (Fx adj.). Baumann confirmed the currency-adjusted Group outlook for 2018.

"We have made good headway strategically and have made major progress with the proposed acquisition of Monsanto," he said. The European Commission and other regulators, including those in Brazil, China and Russia, have approved the transaction this

year. This means that Bayer has now obtained two-thirds of the around 30 anti-trust approvals it seeks. The conditions imposed by the European Commission and other regulators include in particular the divestment by Bayer of various Crop Science businesses. The company reached agreements to this effect with BASF in October 2017 and April 2018. The Monsanto acquisition remains subject to customary closing conditions, including receipt of required regulatory approvals. Bayer is working closely with the authorities around the world with the goal of closing the transaction in the second quarter of 2018.

In April 2018, investment company Temasek subscribed to 31 million new shares of Bayer, corresponding to around 3.6 percent of the increased capital stock, for total gross proceeds of 3 billion euros. The proceeds from this placement will be taken into account when determining the size of the share capital increase through a rights offering with subscription rights to existing shareholders to finance the acquisition of Monsanto.

### **Group sales rise (Fx & portfolio adj.), earnings held back by currency effects**

Group sales in the first quarter of 2018 rose by 2.0 percent (Fx & portfolio adj., reported: minus 5.6 percent) to 9.138 billion euros. EBITDA before special items was down by 5.2 percent, at 2.896 billion euros. Negative currency effects held back earnings by around 160 million euros. Adjusted for these effects, earnings were level year on year. EBIT declined by 4.8 percent to 2.310 billion euros, after special charges of 78 million euros (Q1 2017: 102 million euros) primarily in connection with the planned acquisition of Monsanto. Net income decreased by 6.2 percent to 1.954 billion euros, while core earnings per share from continuing operations came in marginally lower, falling 1.3 percent to 2.28 euros.

Net cash provided by operating activities in continuing operations rose by 19.4 percent to 658 million euros due mainly to lower additions to cash tied up in working capital. Net financial debt decreased by more than half between December 31, 2017, and March 31, 2018, to 1.650 billion euros, due mainly to cash inflows from the sale of further Covestro shares.

## **Pharmaceuticals benefits from sales gains for key growth products**

Sales of prescription medicines (Pharmaceuticals) increased by 2.9 percent (Fx & portfolio adj.) to 4.075 billion euros. “Our key growth products were once again especially successful,” said Baumann. Bayer posted total combined sales of 1.561 billion euros for the oral anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Xofigo™ and Stivarga™, and the pulmonary hypertension treatment Adempas™, representing growth of 14.1 percent (Fx adj.). Sales of Xarelto™ climbed by 13.0 percent (Fx adj.), due primarily to expanded volumes in Europe and Asia/Pacific. Bayer posted a strong increase in business with Eylea™, with growth driven by higher volumes in Europe. Adempas™ expanded by an especially strong 21.2 percent (Fx adj.), mainly due to positive development in the United States and Europe.

Among the other leading Pharmaceuticals products, the hormone-releasing intrauterine devices of the Mirena™ product family posted robust sales growth of 13.4 percent (Fx adj.), driven by business in the United States. Sales of the diabetes treatment Glucobay™ climbed by 13.7 percent (Fx adj.) thanks to higher demand in China. Bayer posted a 15.9 percent decline (Fx adj.) in sales of the Kogenate™/Kovaltry™ blood-clotting medicines, in a development that was attributable to the termination of an agreement with a distribution partner at the end of 2017. Adjusted for this effect, sales of the product climbed by 11.1 percent (Fx adj.), and sales of the Pharmaceuticals segment as a whole rose by 4.6 percent (Fx adj.).

EBITDA before special items of Pharmaceuticals fell by 5.8 percent to 1.415 billion euros, and by 1.2 percent on a currency-adjusted basis. Earnings were held back by an increase in the cost of goods sold and by higher R&D and selling expenses.

## **Consumer Health down year on year as expected**

Sales of self-care products (Consumer Health) declined by 2.2 percent (Fx and portfolio adj.) to 1.409 billion euros. “The significant decline in Asia/Pacific played a major role here. In China, the authorities reclassified two of Bayer’s medicated skin care brands from OTC to prescription,” said Baumann. In addition, sales were impacted by supply disruptions and continued challenges in North America.

Business with Bepanthen™/Bepanthol™ wound and skin care products increased by 10.7 percent (Fx adj.), with sales developing particularly well in Brazil and Europe. Sales of Bayer's prenatal vitamin Elevit™ continued to expand, rising by 6.1 percent (Fx adj.) thanks particularly to strong demand in Europe. Sales of the antihistamine Claritin™ came in at the prior-year level after adjusting for currency effects. Sales gains in China offset declines in Japan and a slow start to the allergy season in the United States. Business with Canesten™ skin and intimate health products declined substantially, with sales receding by 21.2 percent (Fx adj.) due primarily to temporary supply disruptions.

EBITDA before special items of Consumer Health fell by 20.2 percent to 313 million euros, and by 11.5 percent on a currency-adjusted basis. This decline was driven by lower volumes that chiefly resulted from temporary supply disruptions and the reclassification of brands in China. Furthermore, the figure for the prior-year quarter included one-time gains of approximately 34 million euros. Positive earnings contributions in the first quarter of 2018 predominantly came from a lower cost of goods sold.

### **Crop Science achieves currency-adjusted growth in three out of four regions**

Sales of the agricultural business (Crop Science) came in at 2.861 billion euros, which was level with the strong prior-year quarter on a currency- and portfolio-adjusted basis. "We grew in three out of four regions on a currency-adjusted basis, and this performance almost offset the decline in Europe/Middle East/Africa," Baumann said. Growth was particularly strong in Asia/Pacific, where sales increased 10.4 percent (Fx adj.). Sales in Latin America advanced by 4.8 percent (Fx adj.), buoyed by stronger demand for fungicides and insecticides in Brazil and the continued normalization of inventories there.

Insecticides and Other (Seeds & Traits) delivered positive performance, registering growth of 8.0 percent (Fx & portfolio adj.) and 12.9 percent (Fx & portfolio adj.), respectively. By contrast, sales declined by 14.3 percent (Fx & portfolio adj.) at Environmental Science due to lower product deliveries to the purchaser of the consumer business. Adjusted for currency and portfolio effects, sales were also down at SeedGrowth (8.4 percent), Herbicides (6.6 percent), Vegetable Seeds (6.2 percent) and Fungicides (2.0 percent).

EBITDA before special items decreased by 6.5 percent 1.042 billion euros, and by 2.6 percent on a currency-adjusted basis. A decline in other operating income and a higher

cost of goods sold were among factors that held back earnings. Lower expenses for research and development and for general administration had an opposing effect.

### **Animal Health posts gains (Fx adj.), primarily in Asia/Pacific**

Sales of the Animal Health business increased by 3.0 percent (Fx & portfolio adj.) to 414 million euros. Business developed especially well in Asia/Pacific, while only the Europe/Middle East/Africa region posted a decline. Business with the Seresto™ flea and tick collar once again registered strong growth (Fx adj. plus 24.8 percent). Sales of the Advantage™ family of flea, tick and worm control products decreased by 8.2 percent (Fx adj.). EBITDA before special items climbed by 3.0 percent to 139 million euros, and by 10.4 percent on a currency-adjusted basis. Lower selling expenses contributed to this increase. On the other hand, growth was held back by amended financial reporting standards (IFRS 15), among other things.

### **Currency-adjusted Group outlook confirmed**

Bayer has confirmed the currency-adjusted forecasts published in February for operating performance. The company continues to expect 2018 sales to increase by a low- to mid-single-digit percentage on a currency- and portfolio-adjusted basis. As before, it aims to increase EBITDA before special items and core earnings per share by a mid-single-digit percentage on a currency-adjusted basis. Taking into account the exchange rates as at March 31, 2018, reported sales would decline in 2018 overall by a low-single-digit percentage (previously: remain at the prior-year level). In absolute terms, sales would now come in at below 35 billion euros (previously: around 35 billion euros). EBITDA before special items would decline by a low-single-digit percentage (previously: match the prior-year level). Core earnings per share would come in at the prior-year level, as previously forecast.

#### **Note:**

*The following tables contain the key data for the Bayer Group and its segments for the first quarter 2018.*

*The interim report for the first quarter 2018 is available on the Internet at:*

[www.investor.bayer.com](http://www.investor.bayer.com).

Supplementary features at [www.investor.bayer.com](http://www.investor.bayer.com):

- presentation charts for the investor conference call at 12:00 noon CEST
- live webcast of the investor conference call from approximately 2:00 p.m. CEST
- recording of the investor conference call from approximately 6:00 p.m. CEST.

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**Cautionary Statements Regarding Forward-Looking Information**

Certain statements contained in this communication may constitute “forward-looking statements.” Actual results could differ materially from those projected or forecast in the forward-looking statements. The factors that could cause actual results to differ materially include the following: uncertainties as to the timing of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the merger within the expected time frames or at all and to successfully integrate Monsanto’s operations into those of Bayer; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the announcement of the transaction; the retention of certain key employees at Monsanto; risks associated with the disruption of management’s attention from ongoing business operations due to the transaction; the conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the merger; the impact of the refinancing of the loans taken out for the transaction, the impact of indebtedness incurred by Bayer in connection with the transaction and the potential impact on the rating of indebtedness of Bayer; the effects of the business combination of Bayer and Monsanto, including the combined company’s future financial condition, operating results, strategy and plans; other factors detailed in Monsanto’s Annual Report on Form 10-K filed with the SEC for the fiscal year ended August 31, 2017 and Monsanto’s other filings with the SEC, which are available at <http://www.sec.gov> and on Monsanto’s website at [www.monsanto.com](http://www.monsanto.com); and other factors discussed in Bayer’s public reports which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). Bayer and Monsanto assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date.

## Bayer Key Data, First Quarter of 2018

(Some prior-year figures restated)

<b>Bayer Group</b> (EUR million)	Q1 2017	Q1 2018	Change %
Sales	9,680	<b>9,138</b>	-5.6
EBITDA before special items	3,054	<b>2,896</b>	-5.2
EBIT	2,427	<b>2,310</b>	-4.8
<i>Special items</i>	-102	<b>-78</b>	-
EBIT before special items	2,529	<b>2,388</b>	-5.6
Net income	2,083	<b>1,954</b>	-6.2
Earnings per share (EUR)	2.39	<b>2.24</b>	-6.3
Core earnings per share (EUR)	2.31	<b>2.28</b>	-1.3
Number of employees*	99,860	<b>100,110</b>	+0.3

<b>Pharmaceuticals</b> (EUR million)	Q1 2017	Q1 2018	Change %
Sales	4,263	<b>4,075</b>	-4.4
EBITDA before special items	1,502	<b>1,415</b>	-5.8
EBIT	1,219	<b>1,163</b>	-4.6
<i>Special items</i>	-36	<b>-1</b>	-
EBIT before special items	1,255	<b>1,164</b>	-7.3

<b>Consumer Health</b> (EUR million)	Q1 2017	Q1 2018	Change %
Sales	1,601	<b>1,409</b>	-12.0
EBITDA before special items	392	<b>313</b>	-20.2
EBIT	278	<b>211</b>	-24.1
<i>Special items</i>	-9	<b>-5</b>	-
EBIT before special items	287	<b>216</b>	-24.7

<b>Crop Science</b> (EUR million)	Q1 2017	Q1 2018	Change %
Sales	3,120	<b>2,861</b>	-8.3
EBITDA before special items	1,115	<b>1,042</b>	-6.5
EBIT	970	<b>892</b>	-8.0
<i>Special items</i>	-37	<b>-61</b>	-
EBIT before special items	1,007	<b>953</b>	-5.4

<b>Animal Health</b> (EUR million)	Q1 2017	Q1 2018	Change %
Sales	440	<b>414</b>	-5.9
EBITDA before special items	135	<b>139</b>	+3.0
EBIT	126	<b>129</b>	+2.4
<i>Special items</i>	0	<b>0</b>	-
EBIT before special items	126	<b>129</b>	+2.4

EBIT(DA) before special items and core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. For the definition of these indicators, see the current annual report at [www.bayer.com](http://www.bayer.com).

\* Full-time equivalents at end of period